

BEFORE THE  
POSTAL REGULATORY COMMISSION  
WASHINGTON, D.C. 20268-0001

ANNUAL COMPLIANCE REVIEW, 2021

Docket No. ACR2021

**RESPONSES OF THE UNITED STATES POSTAL SERVICE TO  
QUESTIONS 1-6 OF CHAIRMAN'S INFORMATION REQUEST NO. 14**

The United States Postal Service hereby provides its responses to the above-listed questions of Chairman's Information Request No. 14, issued on February 11, 2022. Each question is stated verbatim and followed by the response.

Respectfully submitted,

UNITED STATES POSTAL SERVICE

By its attorneys:

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1. Please refer to *Postal Bulletin* No. 22577 and *Postal Bulletin* No. 22583.<sup>1</sup> Each referenced bulletin includes Exhibit 371.2, labeled “Countries Accepting the International Postal Money Order Form (MP1).”<sup>2</sup> In Exhibit 371.2, the Postal Service lists countries, which it states, “will not issue money orders for payment in the United States.” See *id.* note 1. These countries include Albania, Bolivia, Cape Verde, Dominican Republic, Ecuador, El Salvador, Guinea, Guyana, Honduras, Mali, and Sierra Leone. See *id.*
  - a. Please confirm that the Postal Service’s statement included in *Postal Bulletin* Nos. 22577 and 22583 indicates terminations of International Money Transfer Service (IMTS)-Inbound agreements with the countries listed in the above-referenced footnote. If not confirmed, please explain the meaning and describe the implications of the Postal Service’s above-referenced statement on the IMTS-Inbound product’s revenues and transactions.
  - b. If question 1.a. is confirmed, for each country listed in the above-referenced footnote, please provide the following:
    - i. The effective dates when operators of the referenced countries will stop selling international postal money orders destined for the United States.
    - ii. The effective dates when the Postal Service will stop cashing international postal money orders issued by these countries.

**RESPONSE:**

- a. Not confirmed. Some of the international paper money order agreements establish sales of international paper money orders by both parties to the agreement, others establish sales of international paper money orders by only one party to the agreement.

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<sup>1</sup> See United States Postal Service, *Postal Bulletin* No. 22577, July 29, 2021, available at [https://about.usps.com/postal-bulletin/2021/pb22577/html/updt\\_005.htm](https://about.usps.com/postal-bulletin/2021/pb22577/html/updt_005.htm) (*Postal Bulletin* No. 22577). See also United States Postal Service, *Postal Bulletin* No. 22583, October 21, 2021, available at [https://about.usps.com/postal-bulletin/2021/pb22583/html/updt\\_001.htm](https://about.usps.com/postal-bulletin/2021/pb22583/html/updt_001.htm) (*Postal Bulletin* No. 22583).

<sup>2</sup> See *Postal Bulletin* No. 22577 and *Postal Bulletin* No. 22583, Exhibit 371.2.

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Thus, note 1 of Exhibit 371.2 in *Postal Bulletin* No. 22577 and *Postal Bulletin* No. 22583<sup>3</sup> are intended to inform the customer of the countries listed in Exhibit 371.2 that do not issue postal money orders to the United States.

In the June 20, 2021, version of the International Mail Manual, at [https://pe.usps.com/IMM\\_Archive/NHTML/IMM\\_Archive\\_20210620/immc3\\_018.htm](https://pe.usps.com/IMM_Archive/NHTML/IMM_Archive_20210620/immc3_018.htm), note 1 of Exhibit 371.2 stated "Bolivia, Cape Verde, Dominican Republic, Ecuador, Guinea, Honduras, Mali, and Sierra Leone will not issue money orders for payment in the United States."

As a result of a thorough review of the international postal money order agreements, it was considered advisable to update note 1 of Exhibit 371.2 in *Postal Bulletin* No. 22577. Thus, in *Postal Bulletin* No. 22577, note 1 was updated to state "Albania, Bolivia, Cape Verde, Dominican Republic, Ecuador, El Salvador, Guinea, Guyana, Honduras, Mali, and Sierra Leone will not issue money orders for payment in the United States." No changes to note 1 of Exhibit 371.2 were made in *Postal Bulletin* No. 22583.

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<sup>3</sup> See United States Postal Service, *Postal Bulletin* No. 22577, July 29, 2021, available at [https://about.usps.com/postal-bulletin/2021/pb22577/html/updt\\_005.htm](https://about.usps.com/postal-bulletin/2021/pb22577/html/updt_005.htm) (*Postal Bulletin* No. 22577). See also United States Postal Service, *Postal Bulletin* No. 22583, October 21, 2021, available at [https://about.usps.com/postal-bulletin/2021/pb22583/html/updt\\_001.htm](https://about.usps.com/postal-bulletin/2021/pb22583/html/updt_001.htm) (*Postal Bulletin* No. 22583).

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Of the countries currently listed in note 1 of Exhibit 371.2 (Albania, Bolivia, Cape Verde, Dominican Republic, Ecuador, El Salvador, Guinea, Guyana, Honduras, Mali, and Sierra Leone),

- the agreements with Albania, Bolivia, Cape Verde, Ecuador, El Salvador, Guinea, Guyana, Honduras, Mali, and Sierra Leone include sales of international paper money orders only by the Postal Service, and do not include sales by the counterparty postal operator of international postal money orders destined for the United States, and
- it appears that for at least twenty years the International Mail Manual has stated that there will be no money orders issued in the Dominican Republic for payment in the United States.

If an international postal money order agreement does not include sales by a foreign postal operator of international paper money orders destined to the United States, then that international paper money order agreement will not generate revenue for the IMTS-Inbound product.

b. Not applicable.

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2. In the FY 2021 ACR, the Postal Service states that “[p]rices on International Postal Money Orders and Money Transfer Service are set to rise 15.8 percent in January 2022, which should further improve the financial performance of International Money Transfer Service.” FY 2021 ACR at 87 (footnote omitted).
- a. Please confirm that the Postal Service expects the 15.8 percent price increase to be sufficient to bring the IMTS-Outbound product into compliance with 39 U.S.C. § 3633(a)(2) in FY 2022.
  - b. If confirmed, please provide reasons for the Postal Service’s expectation regarding the IMTS-Outbound product’s compliance, separately addressing the Postal Service’s expectations with respect to the IMTS-Outbound product’s costs and revenues on the product’s FY 2022 cost coverage. If not confirmed, please explain.

**RESPONSE:**

a & b. The Postal Service will not know, for certain, whether the 15.8 percent price increase that went into effect on January 9, 2022, will result in the IMTS-Outbound product covering its attributable costs in FY 2022, in accordance with 39 U.S.C. § 3633(a)(2), until just before the filing of the FY 2022 Annual Compliance Report in late December 2022.

When a 15.8 percent price increase was decided upon, the Postal Service expected that a 15.8 percent increase might be sufficient for the IMTS-Outbound product to cover its costs, based on the cost coverage gap reported in the FY 2020 Annual Compliance Report. In addition, the information concerning the IMTS-Outbound product that the Postal Service filed in Docket No. CP2022-22 (which concerned the competitive published price change that went into effect on January 9, 2022) indicated that the IMTS-Outbound product should cover its attributable costs.

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However, the Postal Service was aware that sampling variation could potentially interfere with realization of that expectation.

As for costs, when the FY 2021 costs became available, it became clear that the 15.8 percent increase would probably not be sufficient for the IMTS-Outbound product to cover its costs in FY 2022. Reported costs for IMTS-Outbound increased significantly (93 percent) between FY 2020 and FY 2021. Costs increased primarily due to increases in window costs.

IMTS is historically a small product with a small number of IOCS tallies,<sup>4</sup> which was again the case in FY 2021, and IOCS tallies determined the share of total window costs distributed to the two IMTS products. In FY 2021, there were only five IOCS tallies, three for the IMTS-Outbound and two for the IMTS-Inbound products.<sup>5</sup> Similarly, in FY 2020, there were only two IOCS tallies, one for the IMTS-Outbound product and one for the IMTS-Inbound product.<sup>6</sup> The relative number of IOCS tallies for the IMTS product in FY 2022 will not be known until the filing of the FY 2022 Annual Compliance Report in late December 2022, and that number will

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<sup>4</sup> As noted in the FY 2021 ACR, at 86, "In Order No. 2825, the Commission approved Proposal Five, which established a non-In-Office Cost System (IOCS) methodology to distribute IMTS costs to IMTS-Outbound and IMTS-Inbound based on transaction volume. One of the reasons behind the methodology change was that in some fiscal years, the Postal Service was not able to distribute costs to IMTS-Inbound due to the lack of Inbound IOCS tallies," citing Order No. 2825, Order Approving Analytical Principles used in Periodic Reporting (Proposal Five), Docket No. RM2015-13 (Nov. 19, 2015).

<sup>5</sup> United States Postal Service FY 2021 Annual Compliance Report, Docket No. ACR2021, December 29, 2021, at 86.

<sup>6</sup> United States Postal Service FY 2020 Annual Compliance Report, Docket No. ACR2020, December 29, 2020, at 69.

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determine cost for the two IMTS products in FY 2022. Also, the recent termination of international postal money order agreements with thirteen foreign postal operators, which is the subject of *Postal Bulletin* No. 22577 and *Postal Bulletin* No. 22583, would hopefully lead to a decrease in reported costs for international postal money orders for IMTS-Outbound in FY 2022 (although sampling variation, for example, one more or one less IOCS tally) could potentially interfere with realization of that expectation.

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3. Please refer to Library Reference USPS-FY21-NP2, December 29, 2021, Excel file "Inputs.xlsx" (Inputs file), tab "UPU Rates CY1," cells P17:Q251 and X17:X251. Please also refer to the International Bureau (IB) Circular 163,<sup>7</sup> Tables I.2 and I.3, II.2 and II.3, III.2 and III.3, IV.2 and IV.3, and Tables V.1. through V.4.
- a. Please confirm that the per-item and per-kilogram rates included in columns P and Q of the Inputs file, respectively,<sup>8</sup> represent E format rates from Tables I.2, II.2, III.2, and IV.2 of IB Circular 163. If not confirmed, please explain.
  - b. Please confirm that the per-kilogram rates for undifferentiated letter post flows to the United States included in column X of the Inputs file represent per-kilogram rates from Tables I.3, II.3, III.3, and IV.3 of IB Circular 163. If not confirmed, please explain.
  - c. Please confirm that the per-item and per-kilogram rates included in Tables I.2, II.2, III.2, and IV.2 of IB Circular 163 were applicable from January to June of Calendar Year (CY) 2020 to inbound E format flows to the United States from Universal Postal Union (UPU) Group I, II, III, and IV countries, respectively. If not confirmed, please explain.
  - d. Please confirm that the per-kilogram rates included in Tables I.3, II.3, III.3, and IV.3 of IB Circular 163 were applicable from January to June of CY 2020 to UPU Group I, II, III, and IV undifferentiated format letter post flows to the United States, respectively. If not confirmed, please explain.
  - e. Please confirm that the rates included in Tables II.3, III.3, and IV.3 of IB Circular 163 were applicable from July to December of CY 2020 to undifferentiated format letter post flows to the United States from UPU Group II, III, and IV countries with annual (CY 2020) letter post flows to the United States below applicable weight thresholds.<sup>9</sup> If not confirmed, please explain.
  - f. Please confirm that the Postal Service charged foreign postal operators (FPOs) listed in column C of the Inputs file<sup>10</sup> the per-item and the per-

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<sup>7</sup> Universal Postal Union, International Bureau Circular 163, Final 2020 quality of service-linked terminal dues rates, October 25, 2021 (IB Circular 163).

<sup>8</sup> With the exception of rates in cells P17:Q17, P20:Q20, and P28:Q28.

<sup>9</sup> See Decisions of the 2019 Geneva Extraordinary Congress, Universal Postal Union, Berne 2019, Article 28bis, paragraphs 1.1.6., 1.1.7., available at <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/actsOfCurrentCycle/actsActsOfTheExtraordinaryCongressGenevaEn.pdf>.

<sup>10</sup> Other than FPOs that were parties to bilateral or multilateral agreements, which included remuneration for E format letter post items, and FPOs with annual (CY 2020) letter post flows to the



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kilogram E format rates or the per-kilogram undifferentiated format rates included in cells P17:Q251 and X17:X251 of the Inputs file, as applicable, in Postal Quarter 1 of FY 2021. If confirmed, please explain why the Postal Service did not charge the per-item and per-kilogram E format rates, or the per-kilogram undifferentiated format rates, as applicable, included in Tables V.1 through V.4 of IB Circular 163, following the United States' implementation of self-declared E format rates that took effect on July 1, 2020. If not confirmed, please specify the per-item and per-kilogram E format rates and the undifferentiated format rates the Postal Service charged FPOs<sup>11</sup> for their inbound E format or undifferentiated format letter post flows to the United States in Postal Quarter 1 of FY 2021, and list the sources for these rates.

- g. Please list the CY 2020 rates that are included in the FY 2021 revenues reported for the Inbound Letter Post Small Packets and Bulky Letters product.<sup>12</sup>

**RESPONSE:**

Although the range of cells in question are updated with the provisional 2020 rates provided in the relevant IB Circulars, for example, Circular 98, Circular 99 or Circular 145, the cells are a remnant of calculations that are no longer used. Admittedly, the circumstances are complicated because, as of January 1, 2020, the Postal Service charged FPOs either the final 2020 terminal dues rates, self-declared rates (as of July 1, 2020) according to IB Circular 163 or negotiated bilateral and multilateral rates.

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United States below weight thresholds specified in Article 28bis, paragraphs 1.1.6. and 1.1.7. of the Universal Postal Convention. See Decisions of the 2019 Geneva Extraordinary Congress, Universal Postal Union, Berne 2019, Article 28bis, paragraphs 1.1.6., 1.1.7., available at <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/actsOfCurrentCycle/actsActsOfTheExtraordinaryCongressGenevaEn.pdf>.

<sup>11</sup> Other than those countries associated with the cells listed above. See n.5, *supra*.

<sup>12</sup> See Library Reference USPS-FY21-NP2, Excel file "Reports (Unified).xlsm," tab "A Pages (c)," cell F28.

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The reason the cells and calculations referenced in the questions are no longer used is that Order No. 1516 in Docket No, RM2012-7 (10/24/2012) approved the Postal Service's use of the Foreign Postal Settlement (FPS) system as the sole source for the ICRA's reporting of inbound international revenue. This replaced the previous imputations that applied the inbound rates in the relevant range to the weight and piece flows. As such, no specific rates or calculations are utilized in the ICRA, rather, FPS revenue is reported in the ICRA.

The responses that follow address the rates displayed in the Inputs.xlsm (Inputs file) and do not necessarily represent the rates charged FPOs by the Postal Service. The rates charged by the Postal Service are provided under seal in USPS-FY21-NP41.

- a. Confirmed, with one exception. In cells P143 and Q143, Christmas Island is shown as paying Australia's Bilateral per piece and per kg rates to USPS for E format Letter-post.
- b. Confirmed, with the exception of values in cells X130 through X144 for territories with rates not provided in the IB Circular 163. The rates assigned are those for the countries to which the territories belong.
- c. Confirmed
- d. Confirmed
- e. Confirmed

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- f. Not Confirmed. As described in the introduction to this response, the rates in this range are no longer used. For Quarter 1 of FY21, the rates charged to FPOs by the Postal Service include the terminal dues rates, the self-declared rates as established in Circular 163, the bilateral rates and the multilateral rates provided under seal in USPS-FY21-NP41.
- g. Please refer to part f of this question and the rates provided under seal in USPS-FY21-NP41.

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4. Please refer to the Inputs file, tab "UPU Rates CY2," cells P17:Q251 and X17:X251; IB Circular 146, Tables 1.1 through 1.4 and Tables 3.1 and 3.2;<sup>13</sup> and Article 28bis, paragraph 6bis of the Universal Postal Convention.<sup>14</sup>
- a. Please confirm that the per-item and per-kilogram rates included in columns P and Q of the Inputs file,<sup>15</sup> respectively, represent E format rates from Tables 1.1 through 1.4 of IB Circular 146. If not confirmed, please explain.
  - b. Please confirm that the per-kilogram rates included in column X of the Inputs file represent undifferentiated format per-kilogram rates from Tables 1.1 through 1.4 of IB Circular 146. If not confirmed, please explain.
  - c. Please confirm that the rates included in Tables 1.1 through 1.4 of IB Circular 146 apply to UPU Group I, II, III, and IV inbound E format or undifferentiated format flows to the United States in CY 2021, to which rates pursuant to Article 28bis, paragraph 6bis of the Universal Postal Convention do not apply. If not confirmed, please explain.
  - d. Please confirm that the Postal Service charged the per-item and per-kilogram E format rates, or the per-kilogram undifferentiated format rates, included in columns P, Q, and X of the Inputs file to FPOs<sup>16</sup> for applicable flows to the United States in CY 2021. If confirmed, please explain why the Postal Service did not charge rates from Tables 3.1 and 3.2 of IB Circular 146 to applicable flows in CY 2021.
  - e. If question 4.d. is not confirmed, please specify the per-item and per-kilogram E format rates and the undifferentiated format rates the Postal Service charged FPOs for their inbound E format or undifferentiated format letter post flows to the United States in Postal Quarters 2 through 4 of FY 2021, and list the sources for these rates.

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<sup>13</sup> Universal Postal Union, International Bureau Circular 146, Provisional 2021 quality-linked terminal dues rates, October 5, 2020 (IB Circular 146).

<sup>14</sup> Decisions of the 2019 Geneva Extraordinary Congress, Universal Postal Union, Berne 2019, Article 28bis, paragraph 6bis, available at <https://www.upu.int/UPU/media/upu/files/UPU/aboutUpu/acts/actsOfCurrentCycle/actsActsOfTheExtraordinaryCongressGenevaEn.pdf>.

<sup>15</sup> With the exception of rates included in cells P17:Q17, P20:Q20, and P28:Q28.

<sup>16</sup> Other than for those countries associated with the cells listed above. See n.12, *supra*.

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- f. Please list the CY 2021 rates that are included in the FY 2021 revenues reported for the Inbound Letter Post Small Packets and Bulky Letters product.<sup>17</sup>

**RESPONSE:**

Please also refer to the introduction to the response to Question 3.

- a. Confirmed, with one exception. In cells P143 and Q143, Christmas Island is shown as paying Australia's Bilateral per piece and per kg rates to USPS for E format Letter-post.
- b. Confirmed, with the exception of values in cells X130 through X144 for territories with rates not provided in the IB Circular 146. The rates assigned are those for the countries to which the territories belong.
- c. Confirmed.
- d. Not Confirmed. As described in the introduction to the response to Question 3, the rates in this range are no longer used. The appropriate revenues can be found in USPS-FY21-NP2/Supporting Files/FPS Inbound Data/FPS\_Inbound\_Inputs.xlsx.
- e. Please refer to the rates provided under seal in USPS-FY21-NP41.
- f. Please refer to the rates provided under seal in USPS-FY21-NP41.

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<sup>17</sup> See Library Reference USPS-FY21-NP2, Excel file "Reports (Unified).xlsm," tab "A Pages (c)," cell F28.

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5. Please see Attachment, filed under seal.

**RESPONSE:**

Please see the response filed under seal as part of USPS-FY21-NP41.

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6. Please refer to Library Reference USPS-FY21-NP2, Excel file "Inputs.xlsm," (Inputs file), tab "UPU Rates CY1," cells J53:J86. Please also refer to IB Circular 163, Table II.1.
- a. Please explain the reason(s) for the discrepancy between the per-kilogram rate included in the Inputs file, tab "UPU Rates CY1," cells J53:J86 and the quality-linked format P/G rate per kilogram for the United States, included in IB Circular 163, Table II.1.
  - b. Please confirm that the Postal Service charged UPU Group II countries the quality-linked per-kilogram rate included in IB Circular 163, Table II.1 for their format P or G flows to the United States during Postal Quarter 1 of FY 2021. If not confirmed, please provide the rate that the Postal Service charged FPOs of UPU Group II countries for the referenced flows and explain why the Postal Service charged this rate.
  - c. Please confirm that the FY 2021 revenues reported for the Inbound Letter Post product<sup>18</sup> reflect applicable rates from IB Circular 163 and IB Circular 146, and that the Postal Service charged FPOs the rates in these IB Circulars for applicable flows in the applicable quarters of FY 2021 (*i.e.*, rates from IB Circular 163 for Postal Quarter 1 of FY 2021 flows, and rates from IB Circular 146 for Postal Quarters 2 to 4 of FY 2021 flows). If not confirmed or partially confirmed, please explain. If the response to this question necessitates revisions to Library Reference USPS-FY21-NP2 or the FY 2021 ACR, please provide such revisions with the response.

**RESPONSE:**

Please also refer to the introduction to the response to Question 3.

- a. The values in cells J53:J86 are erroneous due to a copied typographical error. Please refer to the rates provided under seal in USPS-FY21-NP41.
- b. Confirmed.

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<sup>18</sup> See Library Reference USPS-FY21-NP2, Excel file "Reports (Unified).xlsm," tab "A Pages (md)," cell D27.

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- c. Confirmed, with the exception of rates of FPOs to which entities belong as territorial possessions when no specific rate for them is provided in the IB Circulars.